U.S. SENATE
Republican Policy Committee
Established 1947

No. 1 January 7, 2003

S. 23 – Unemployment Compensation Extension

S. 23 was offered on the floor today by Senator Fitzgerald (joined by Senators Clinton, Nickles, Cantwell, Specter, and others).

NOTEWORTHY

- The bill extends the Temporarily Extended Unemployment Compensation Benefits program (TEUC) for an additional five months, to June 1, 2003. It will cover eligible unemployed persons in all states, regardless of the state's current unemployment rate.
- If the Senate and House send the bill to President Bush by Thursday, there should be no lapse in benefits for those covered by the extension. According to the Department of Labor, had the extension not expired on December 28, the next scheduled payment to the states would have been on Friday, January 10. If the bill is enacted into law by Thursday, this payment can still be made on Friday.
- The bill provides a temporary 13-week extension of unemployment benefits for all individuals who exhaust their traditional benefits (26 weeks) before June 1, 2003, for a total of 39 weeks. Individuals residing in states with high unemployment will receive an additional 13 weeks of unemployment benefits, which is a total of 52 weeks.
- The bill has a phase-out period to cover individuals who have exhausted their regular benefits (26 weeks) but have not exhausted their temporarily extended benefits before the designated cut-off date of June 1, 2003. This guarantees each beneficiary the maximum benefit duration. For example, an individual who exhausted her regular 26 weeks of unemployment on May 30 and therefore qualified for an extended 13 weeks of coverage would not be cut off on June 1. Instead, she will receive an additional 13 weeks of benefits.
- The cost of the bill is estimated to be $7.3 billion in 2003, according to the Congressional Budget Office (CBO). All payments made under this bill will be made out of federal funds.

BACKGROUND

Funding

Funding for extended benefits comes from the Unemployment Trust Fund. This Trust Fund is the repository for taxes collected under the Federal Unemployment Tax Act (a 0.8- percent tax on the first $7,000 of every private employee's wages, which is collected by the employer) and a state tax on at least the first $7,000 of private employees' wages. The Trust Fund is deposited in the U.S. Treasury and dispersed by the federal government. All temporary extended benefit payments made under this bill will be made out of the federal portion of the Trust Fund.[1]

Current, Permanent Law Provides for Extended Benefits

Under the Federal-State Extended Unemployment Compensation Act of 1970 (hereafter referred to as EB), a permanent system for providing extended benefits to those in states with high unemployment is already in place. A worker who becomes unemployed by no fault of his own and has worked for a sufficient period of time[2] is entitled to at least 26 weeks of unemployment compensation.

The EB program permits states with high unemployment, as measured by several formulas, to give workers an additional 13 weeks of federally-funded unemployment benefits, bringing the benefit duration to a total of 39 weeks. However, many believe it is too difficult for states to qualify for EB benefits. For example, only two states are currently qualified for EB.[3]

Periodically, during times of economic recessions, or slow growth, the Congress has temporarily permitted TEUC for all states regardless of their unemployment level, effectively superceding the EB program. Once the temporary programs expire, the EB program will again serve as the mechanism for providing extended benefits in times of high unemployment.

Congressional Approval of Extended Benefits

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[1]Under the regular 26-week Unemployment Compensation program, payments are entirely made up of state funds which the state collects, sends to the U.S. Treasury and then is granted back by the Department of Labor.

[2]Each state determines its own qualifications.

[3]Currently two states qualify for extended benefits (EB): Oregon and Washington. Fifty percent of EB payments are made up of federal funds, and 50 percent from state funds.

According to the Congressional Research Service, economists generally consider the economy to have full employment when there is a 5-percent unemployment rate.[4] The current rate of unemployment stands at 6 percent nationally, with a large majority of states falling below 6 percent.[5] During the last extension of TEUC in response to the 1990-1991 recession, unemployment reached 7.8 percent.[6] In fact, when the program expired in April of 1994[7], unemployment still stood at 6.4 percent.[8] The Democratically-controlled Congress and White House did not act to provide an additional extension.

Action in the 107th Congress

During the 107th Congress, the Senate and House of Representatives temporarily extended unemployment compensation benefits for the fifth time since the program was enacted in 1970.[9] On March 9, 2002, the President signed the Job Creation and Worker Assistance Act,[10] which temporarily extended benefits for all states by 13 weeks and an additional 13 weeks for states with high unemployment.[11] The extended benefits granted under this law concluded on December 28, 2002. According to the Department of Labor, between 750,000 and 800,000 unemployed individuals who had not exhausted their additional 13 weeks of TEUC benefits will cease to receive benefits if the extension is not renewed.

In anticipation of this expiration, both the Senate and the House acted on legislation to extend benefits at the end of last year. However, no agreement was reached prior to adjournment. On

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[4]Marc Labonte and Gail Makinen, The Current Economic Recession: How Long, How Deep, and How Different From the Past, CRS RL31237, page 5, footnote 4.

[5]Thirty six states have unemployment rates below 6 percent according to the Department of Labor's calculations for November 2002. Twenty-four states have unemployment rates below 5 percent and nine states have rates at or below 4 percent. Department of Labor statistics for Local and State Employment and Unemployment, http://www.bls.gov/lau/

[6]Labonte, 13.

[7]Lake, 4.

[8] Bureau of Labor Statistics release 94-240.

[9]Lake, Jennifer, Temporary Programs to Extend Unemployment Compensation, CRS RL31277, p. 3-4.

[10]H.R. 3090 passed the House on March 7 by 417-3, the Senate on March 8 by 85-9 and became Public Law 107-147 on March 9, 2002. This law also transferred $8 billion in surplus federal unemployment funds, called Reed Act funds, to the states to spend on expanded unemployment coverage and related services.

[11]Alaska, Arkansas, California, Idaho, Massachusetts, Michigan, Nevada, New Jersey, Oregon, Pennsylvania, Washington, and Wisconsin qualified for the additional 13 weeks, bringing their Temporary Extended Unemployment Compensation coverage up to 26 weeks, and total unemployment coverage up to at least 52 weeks. (Department of Labor)

November 14, the Senate passed legislation which would have granted extended benefits to all states until April 1, 2003.[12] It also would have provided a "phase out" provision to cover individuals who begin the temporary extended benefit program but do not exhaust those benefits before the designated cutoff date. On the same day, the House passed H.R. 5063, which would have granted individuals whose extended coverage was expiring an additional five weeks of coverage. The House bill would have additionally extended benefits for states that already qualified for Temporary Extended Unemployment Compensation (TEUC) due to high unemployment.

S. 23 Summary

This bill continues the TEUC program enacted in March of 2002 to June 1, 2003. With the passage of this bill, unemployed workers will be entitled to at least 39 weeks of unemployment compensation so long as they exhaust their regular benefits by June 1. One new feature of this program is the phase-out provision which ensures each unemployed worker will receive all of the additional unemployment compensation for which they have qualified. Workers who reside in states with high unemployment will qualify for a total of 52 weeks of unemployment compensation.

POSSIBLE AMENDMENTS

It is anticipated that a unanimous consent agreement will not provide for any amendments.

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[12] The Senate took up H.R. 3529, an economic stimulus bill passed by the House at the end of 2001, struck all of the bill's text and inserted Senate language. As amended, it passed by unanimous consent on November 14.